

CRISIS MANAGEMENT OF THE TURKISH CIVIL AVIATION COMPANIES: A STUDY OF 2004 AND 2011 YEARS

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ABSTRACT

Since 1929 the World experienced several significant changes in crisis situation, perception and measures. This general status can also be applied to the civil aviation sector. This paper estimates the impact of the crises on Turkish Civil Aviation Companies in 2004 and 2011. The main aim of this study is to evaluate and compare between 2004 and 2011 conditions of the Turkish Civil Aviation Companies during several national and international crises.

Keywords: Civil Aviation Companies, Crisis Management, Turkey, Air travel.

1. INTRODUCTION

Globalization and changes in the economic landscape have dramatically altered the financial management of air transporters and investor behaviors. Today one of the main targets of the businesses is to survive, while surviving to create some competitive advantages from other companies and/or differentiate. The same conditions have also applied to the civil aviation companies. Civil Aviation is an important part of air transportation which includes two major categories (http://en.wikipedia.org/wiki/Civil_aviation):

- Scheduled air transport, including all passenger and cargo flights operating on regularly scheduled routes,
- General aviation (GA), including all other civil flights, private or commercial.

Whether crisis or not Civil Aviation Companies always may be faced some risks. Some of these risks stems from managerial applications, competition and uncertainty (Nomuro, 2003; Blond, 2009; Kocaoğlu, 2000; Seetaram, 2010). The demand (personal, commercial) and the financial portrait of the subject also received the attention of many researchers (Liang and James, 2009; Zhang et al, 2008; Morrel, 2008; Graham and Shaw, 2008; Nicolau, 2010).

There are several researches about competitive environment, risk for civil aviation sector. In today's highly intensive competitive environment, many companies have faced severe market conditions. Surviving in these highly competitive markets and adapting to new states require both strategic thinking and utilising all the available information about the future, as well as that about the present. On the other hand, strategic decisions mainly focus on creating 'competitive advantages' and differ from other daily or operational decisions from several aspects (Polat, 2008). Low Cost Carrier could be one of these solutions. Many researchers in the Low Cost Carrier (LCC), known as low-cost passengers has done research in mostly civil aviation sector about their growing market share, products, business model, network of routes, pricing strategy etc. (Barrett, 1999; Barrett, 2003; Barrett, 2004; O'Leary, 2004; Loddenberg, 2004; Button, Vega, 2007; Koenigsberg, Muller, and Vilcassim, 2008; Malighetti, Paleari, Redondi, 2010). Some of them were about taking risk. Some researchers emphasized the risk of airline industry management (Nomura, 2003; Küçük Yılmaz, 2008). Security and reliability become an important parts of corporate philosophy in order to pursue good relations with stakeholders, including customers and shareholders, society and employees, and are making our best efforts to conduct business (Nomura, 2003). On the other hand monitoring of crisis indicators could allow intervention to minimise the crisis and offers a chance of protecting civil aviation for the benefit of all stakeholders, in addition, the concepts of environmental protection in civil aviation, and environmentalism is becoming increasingly

important (Lynes and Dredge, 2006; Gössling, Peeters and Scott, 2008). There are also several aspects of crises also had researched Pearson & Clair (1998) tried to reframe the crisis management, Yamamoto & Sekeroglu (2011) examined the tendencies of the Turkish leather industry regarding crisis management under the current global economic crises, Pisani-Ferry & Sapir (2010) assessed the management of the 2007-2009 banking crisis within the EU against this backdrop.

In this context of crisis management and a true interaction with customers is becoming extremely important. We are trying to find out what kind of crises mostly affected the aviation companies and their attitude against these crises and what kind of differences they have experienced so far.

2. CRISIS MANAGEMENT

Main goal of crisis management is to prepare the organization against the most critical situations (De Sausmarez, 2007). This means different crisis response strategies depending upon the attributions of crisis responsibility. Some of them are proactive and most of them are reactive according to the crisis situation. In fact, many corporations in crisis demonstrate just how much fewer are their vital resources than previously believed, assuming that vital resources include reputation, leadership, integrity as well as customer and employee loyalty. During a crisis, all of these factors are put under enormous strain (Paine, 2002).

According to Coombs & Holladay (2002) common crises can be categorized into one of three groups: victim cluster has minimal attributions of crisis, accidental cluster has low attributions of crisis responsibility, and preventable cluster has strong attributions of crisis responsibility. These categories have generated the direct risk to the aviation companies.

Coombs, concerned threats related to the crises and phases of the crisis management (2007) Augustine (1995) tries to explain the stages of the crises. Pre and post crisis situations also argued by Flouris and Yılmaz, 2011: 3247; Coombs and Holladay, 2006; Dean, 2004; Coombs, 2004).

Air travel has always been a strongly cyclical business. There are several scenarios to overcome for different types of crises for airline industry for the global passenger consolidation and downturn in demand or oil crisis, financing (Franke and John, 2011). The Aviation Sector has been faced several constructional problems because of money and cost situation for years globally. In order to make a jump being affected at minimum degree, Airline companies which will have to defend themselves in a possible crisis should have some necessary procedures regulated in normal and crisis times and the communication channels determined professionally. Constructing a very powerful and flexible managerial structure which can be deal with the crisis in the institutions, increasing the financial credit standing and its adjustment in a way that cash flow be positive, decreasing the common expenditures, fixing new markets, setting up debt balances, not using expensive credits for unfruitful investments and taking measures to rebound the productivity (Gönen, 2004).

The financial and operational facades of the crises affect the aviation companies generally. There are several situations and effects the companies faced. Sometimes this kind of situations creates some new opportunities on the other hand there are some negative effects of low productivity, low rantability, cancellation problems, and high expenditures. Advertising and public relations during crisis presents some opportunities both in having new customers to faithful customer base and in forming the brand identity (Karahasan, 1999; Kocabaş, Elden, Çelebi, 1999; Peltekoğlu, 1998). It is announced that it is essential to use the methods of advertising and public relations while establishing their strategies to overcome these situations.

There are certain crisis affected aviation sector after cold war. There are large numbers of crises affecting the aviation sector therefore our study was structured on the major crises below;

- 1991 Gulf Crisis
- 1994 Turkish Economical Crisis
- 1997 South East Asia Economical Crisis
- 1998 Russian Economical Crisis
- 1999 The negative economic events experienced because of PKK terror in Turkey
- 2000 November Turkish Economical Crisis
- 2001 February Turkish Economical Crisis
- 9/11 2001 USA World Trade Center terrorist attacks
- 2008 Global Economical Crisis

3. MATERIALS AND METHODS

After a systematic literature review we wanted to know what kind of crises and at which level the aviation companies were affected, what their attitude was against it and what kind of differences they have experienced so far and what the precautions taken in a certain time period.

In this research we tried to determine the Turkish Private Aviation Companies crisis management approaches 2004 and 2010 years particularly. Only the organizations that completed their institutionalization are compromised. Türk Hava Yolları A.Ş. (Turkish Airlines) is the biggest public sector company hasn't been taken into consideration.

The first research has done in 2004; the forms were prepared according to the common characteristic of the companies. As a result of this, to the companies, which join the Exposition of EMITT 2002, had only a preliminary survey. The comprehensibility of the questions was tested with the participation of the directors of the companies. The questions, which were revised after the preliminary survey, were regulated as multiple choice and open-ended questions. In 2011 area study was completed with another study done for similar purpose with the same survey forms and questions were used again.

In the previous study, overall survey was related to Turkish Private Sector Airlines Companies, 11 Private Airline companies, which are the members of the Turkish Private Sector Airlines Companies Association, defined and reached all of them but the survey results of 9 of them are in assessment.

Similarly, in 2011, another survey study with the same questions was assessed among 9 of 11 organizations. After the evaluation of SPSS 15.0 program, analysis and the interpretations foraged showed that in both crises Private Sector Airline Companies have some similar positions and attitudes and also have different factors to deal with.

During the 2004 data had been analyzed with SPSS for Windows 10.0 program and had been applied relation base, Pearson Correlation (r) and for the differential analysis (t test), moreover had been calculated Arithmetical averages (\bar{X}), frequency (f) and percentage (%), standard deviations (SD), reliability of the study is ($\text{Alpha} = .98$).

For the Airlines Companies, (df): 8, $p < 0.05$, $t > 1.86$. had been evaluated and all data had been exist in normal limit.

In 2011, another survey was done with the same questions in the same topic. As a result of this, while comparing the answers given to the questions, frequency and percentage values were taken into consideration. The data had been analyzed with SPSS 15.0 program.

4. RESULTS

The important results from the survey are listed below Turkish Private Sector Airline Companies badly affected by -1991 Gulf War-Terrorism - 2000 November Turkey economic crisis - 2001 February Turkey economic crisis - 11 September 2001 USA WTC (World Trade Center) terrorist attacks and 2008 the Global Economic crisis. In the light of this research, the companies firstly; - experienced the decreases in their rantability - had to spend more money on security, insurance, education, etc. and - experienced financial problems by the reservation cancellations. In these studies done in both periods, the companies wanted to search the reasons of the reservation cancellations during the crisis period and find out their revenue groups.

Table 1. The Effects (Here)

Terror was in the first row in 2004 and "Natural disasters" was in the second, international economical crises and Local economical crises in the latter steps but In 2011 "The terror events in the country" and "Type of the existence of the events on media" are placed in the first row. "Natural disasters" International economical crises and Local economical crises are in the third step. In 2004 Negative effects of the crises for the companies had placed first step as "Low rantability". In addition to this, the costs of high expenditures like security, insurance, education etc. had placed second step and in 2011 "Low rantability" had placed first step and financial problems by the reservation cancellations had placed second step furthermore, these expenditures have been still affecting the companies badly.

CONCLUSIONS

The crises has been affected the aviation sector that has always been a strongly cyclical business. This type of cycles generally comes by 5- 10 years. In this period some companies have success some others have failure stories. Decision-making and crisis management become very important at these moments. In these cyclical options only twice has the global airline industry seen negative growth: in 1991 associated with the First Gulf War, and 2001/2003 as a consequence of the 9/11 terrorist attacks and SARS like infectious disease and natural disasters. Turkish aviation companies have also affected from these global crises. On the other hand there are some other local and regional crises. Types of crises also have a great importance in order to cope with these crises in terms of sustainability. When an economic crises coincided with external shocks that overlapped a collective fear of flying on top of a cyclical downturn in demand decline. 9/11 terrorist attacks have changed the key philosophy and the behavior of these companies to have a certain security not only flights but against the terrorist attacks. Some other external implementations of IATA etc. have also solidified these company policies. Media has also become an integral part of aviation companies if there is some buzz around the society the aviation companies directly affected with this viral diffusion. Geographical conditions and situations and the countries stability are also some important factors that affects these companies. This study is important for detection of the crises that influenced the Turkish Civil Aviation companies in a certain period of time.

In this article we tried to do an assessment of the aviation companies in Turkish Private sector separately for the years right after some very important crises in 2004 and 2011. The fear of terror attacks has the most influential risks for the aviation companies. The companies have influenced from natural disasters. This is a cyclical situation for civil aviation companies because of the tourism and travel of these places that they are operating. Economical crises have more influence since 2004. The world's economy had often faced with partly local and regional crises before. However after the globalization, crises have become an important point for the preferences and, selecting other substitutes. In addition no civil aviation companies (that observed) have considered this kind of crisis as an option for new opportunities for their businesses.

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Table 1 The Effects

<i>The most important effects for companies’ selling capacity</i>	2004			2011		
	N=9			N=9		
	f	%	Order	f	%	Order
A) The terror events in the country	9	100	1	8	88.9	1
B) Type of the existence of the events on media	7	77.8	3	8	88.9	1
C) Being near the risky areas (War etc.)	7	77.8	3	6	66.7	2
D) Natural disasters (Earthquake, flooding, hurricane, Fire etc.)	8	88.9	2	5	55.6	3
E) International economical crises.	4	44.4	5	5	55.6	3
F) Local economical crises	5	55.6	4	5	55.6	3
G) Dense competition in sectoral base	4	44.4	5	4	44.4	4
H) Excessive exchange rates	5	55.6	4	4	44.4	4
I) Low period tourism season	4	44.4	5	4	44.4	4
<i>The negative effects during the crises.</i>						
A) Low productivity	5	55.6	4	3	33.3	3
B) Credit finding difficulties	4	44.4	5	2	22.2	4
C) Loan delay difficulties	3	33.3	6	2	22.2	4
D) Financial problems by the reservation cancelations.	6	66.7	3	7	77.8	2
E) Low rantability.	9	100.0	1	8	88.9	1
F) High expenditures, (security,insurance,education,etc.)	7	77.8	2	2	22.2	4